PROVINCE OF SASKATCHEWAN

11-12

PLAN FOR 2011-12

SASKATCHEWAN
LIQUOR & GAMING
AUTHORITY

PLAN FOR 2011-12

Statement from the Minister

On behalf of the Saskatchewan Liquor and Gaming Authority (SLGA), I present SLGA's Plan for the upcoming year. The Plan identifies how SLGA aligns with Government's direction for 2011-12 and reflects SLGA's primary areas of focus. The initiatives outlined in this plan speak to this year's budget theme, the *Saskatchewan Advantage*, which will contribute to the goals of economic growth, security, and keeping Government's promises.

Commitments contained in SLGA's 2011-12 Plan continue to focus on improving the effectiveness and efficiency of operations across the organization with a view to improving both customer service and financial performance. In addition, the Plan will contribute to a stronger business climate for its stakeholders while supporting sustainable and socially responsible growth in SLGA's net income over the medium term. SLGA's net income growth is essential to providing sustainable funding in support of Government programs and services.

I am committed to being accountable to the people of Saskatchewan and accept responsibility for furthering Government's commitments while ensuring SLGA is managed with integrity and professionalism. I will report on the progress made toward this Plan, including commitments made in the 2010 **Mandate letter**, in SLGA's 2011-12 Annual Report.

The Honourable Tim McMillan
Minister Responsible for Saskatchewan Liquor and Gaming Authority

Response to Government Direction

Government's plan for the upcoming year is described in the *Government Direction for 2011-12: The Saskatchewan Advantage*. The 2011-12 Budget supports this plan by maintaining and improving our quality of life through enhanced public services and creating more opportunities for all Saskatchewan citizens. Responsible fiscal management means finding the right balance between debt reduction, tax relief, investing in short-term capital infrastructure projects, and matching program spending to long-term, sustainable revenues.

Meanwhile, Government continues to promote effectiveness and efficiency throughout the public service; is continuing with its four-year plan to reduce Government's footprint; and has adopted a "Lean" culture of continuous improvement in the delivery of programs and services.

Plans for 2011-12 support the fulfillment of Government's **vision for a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing opportunity for a high quality of life for all**. Government's goals and priorities for the upcoming year are described in the *Government Direction* document, as well as in each ministry plan.

The Plan for 2011-12 communicates a high-level framework for SLGA's key activities in the upcoming year. SLGA will report on results achieved or not yet achieved, in their annual report, to honour Government's commitment to keep its promises, and to ensure greater transparency and accountability to Saskatchewan people.

Mission Statement

Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation, and regulation of liquor and gaming products.

Strategies and Actions

Government Goal – Economic Growth

Sustain **Economic Growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Strategy	Key 2011-12 Actions
Support economic growth in liquor and gaming industries and associated sectors	• Implement the recommendations stemming from the 2009-10 supply chain review which includes an expanded warehouse facility to: ~ address growing volumes; ~ better meet the needs of industry stakeholders through improved product selection and reduced stock-outs; ~ improve commercial permittee service; and, ~ reduce overall costs to SLGA. • Implement new beer discount structure for commercial permittees with off-sale endorsements. • Implement a plan for systematic renewal of the Video Lottery Terminal (VLT) program. • Continue to support the charitable gaming industry through the charitable gaming grant program.
Modernize SLGA's policy framework to allow for greater flexibility and encourage increased involvement by stakeholders in the economy	• SLGA will continue to work with stakeholders to examine options that improve the current blended retail model with a goal to improve customer service and strengthen stakeholder viability. • Continue to review the regulatory framework with a view to improve the business environment for SLGA stakeholders: ~ review opportunities for charitable gaming stakeholders to improve accessibility and viability of their gaming products; and, ~ finalize micro distillery policy.

Government Goal – Security

Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Strategy	Key 2011-12 Actions
Strengthen the socially responsible sale and distribution of liquor and gaming products in an effort to reduce the adverse consequences of these activities	• Continue to partner with various groups and Saskatchewan Government Insurance to promote awareness and prevention of drinking and driving, including the province-wide rollout of the Report Impaired Drivers (RID) program. • Continue to participate on the Interprovincial Lottery Corporation Responsible Gambling sub-committee, leveraging resources from across jurisdictions for research on responsible gambling programs with a view to recommend evidence-based initiatives. 2011-12 projects include the development of national industry standards for responsible gambling and the development and testing of an intervention program and DVD that will encourage self-excluders to seek treatment. • Continue to work on the development of responsible gambling initiatives in collaboration with members of the provincial interagency responsible gambling forum, including finalization of a multi-agency coordinated workplan. • Continue partnership with northern leaders and the Ministries of Justice; Health; First Nations and Métis Relations; and, Corrections, Public Safety and Policing to develop strategies aimed at reducing alcohol related violence in northern Saskatchewan. • Work with the Saskatchewan Hotels and Hospitality Association and the Canadian Restaurant and Foodservices Association to promote and enhance responsible use initiatives related to both gaming and beverage alcohol.
Promote environmental stewardship by implementing sustainable business practices	• Continue to explore cost effective modifications to buildings and support systems to improve efficiency and reduce energy consumption and operating costs. • Implement a paperless strategy for the distribution of price lists to SLGA stakeholders.

Government Goal – Promises

Keep Government's **Promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Strategy	Key 2011-12 Actions
Support and strengthen the collaborative partnership between SLGA and First Nations	SLGA will work collaboratively with: • the Federation of Saskatchewan Indian Nations (FSIN) to continue to fulfill commitments under the Gaming Framework Agreement; • the Saskatchewan Indian Gaming Authority (SIGA) to continue to fulfill commitments under the Casino Operating Agreement; and, • the Indigenous Gaming Regulators (IGR) to continue to fulfill commitments under the IGR – SLGA Regulatory Agreement.
Ensure continuous improvement in internal operational efficiency and productivity	• Based on the results of the three Lean projects conducted in 2010-11, implement action plans to improve efficiencies in special order desk and beer ordering processes, and liquor and VLT permit application processes. • Proceed with development work on the replacement of the Warehouse Management/Supply Chain systems as well as the Regulatory Compliance application systems. • Using Lean methodology, review and implement improvements to the processes related to small raffle applications and charitable gaming grants. • Together with Tourism, Parks, Culture and Sport; First Nations and Métis Relations; and the Saskatchewan Gaming Corporation, complete a review process of gaming in Saskatchewan with goals for consolidating and streamlining governance and maintaining an appropriate balance between revenue generation and social responsibility.
Provide responsive and high quality services to customers and stakeholders	• Develop strategies to respond to the results of the 2010-11 customer satisfaction survey. • Implement a program that monitors specific aspects of customer service in SLGA retail stores. • Continue implementation of corporate-wide Customer Service Excellence Training Program and rollout of SLGA's Customer Service Strategy across the organization.

Performance Measures

Measure	Baseline / Trend Line Information

SLGA net income

Fiscal Year	SLGA Net Income
2009-10	$433.1M
2008-09	$435.0M
2007-08	$398.0M[1]
2006-07	$370.3M
2005-06	$351.4M

[1] *Restated in 2008-09 to reflect restatement of SIGA net income.*
Source: Saskatchewan Liquor and Gaming Authority

Measure Description

SLGA plays a very important role in funding provincial programs and services. SLGA's net income reflects the total net revenue generated by the Province's liquor industry and the majority of the gaming industry after deducting operating expenses. This is a critical outcome for SLGA and it contributes significantly to meeting the Government's revenue needs for the funding of other key programs.

SLGA's net income measure reflects SLGA's core business activities and is directly aligned with Government's overarching goal of economic growth. This measure is also representative of the balance SLGA must achieve between revenue generation, stakeholder benefits, customer service, social responsibility, and operational efficiency.

Historically, SLGA has demonstrated a steady increase in its net income. The $1.9 million decline in net income observed in 2009-10 was primarily driven by declining net income from VLT activity; partially offset by increased net income from SIGA casinos and liquor operations. Continued monitoring of financial performance as it relates to liquor and gaming activity is key to maintaining growth into the future.

Measure	Baseline / Trend Line Information

SIGA net income

Fiscal Year	SIGA Net Income
2009-10	$65.1M
2008-09	$59.9M
2007-08	$58.1M[1]
2006-07	$48.8M
2005-06	$40.2M

[1] *Restated in 2008-09*
Source: Saskatchewan Liquor and Gaming Authority

Measure Description
This measure reflects the total net income generated by the SIGA casinos in the province after deducting operating expenses. As required by section 207 of the *Criminal Code of Canada*, SLGA owns the slot machines located in SIGA's casinos. The revenue generated from the machines is distributed according to the revenue sharing formula in the 2002 Gaming Framework Agreement between the Province and the FSIN.

The General Revenue Fund retains 25 per cent of SIGA's net profits (after defined payments) in support of broader provincial objectives. The remaining 75 per cent is distributed back to First Nations communities via the First Nations Trust (FNT) and Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture, and other First Nations initiatives. The CDCs fund economic development, social development, justice, education, recreation, culture, health and other related initiatives among First Nations and non-First Nations in and around the communities where the casinos are located.

SIGA's net income is linked to SLGA's strategies to support economic growth in liquor and gaming industries and associated sectors and to support and strengthen the collaborative partnership between SLGA and First Nations.

Measure	Baseline / Trend Line Information

VLT site commission

Fiscal Year	VLT Site Commission
2009-10	$34.3M
2008-09	$36.6M
2007-08	$39.9M
2006-07	$36.6M
2005-06	$36.4M

Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure illustrates how private businesses benefit from VLT activity in the province. SLGA supports local businesses through a 15 per cent VLT site commission to liquor permitted establishments that host VLTs. In 2009-10, these site commissions helped to support 641 site contractors in 313 communities in Saskatchewan.

VLT site commissions are linked to SLGA's strategies under the overarching Government goal of economic growth. The VLT program operates within a provincial cap of 4,000 VLTs balancing both social and fiscal responsibilities.

The decline in VLT site commissions relative to 2007-08 is primarily due to a one-time cost incurred in 2007-08 associated with the negotiated closing of the Emerald Casino in Saskatoon as well as a continued decline in VLT activity that began in 2008-09. Development of an ongoing VLT renewal program is expected to reverse this trend in the medium term.

Total gross franchise and commercial permittee beverage alcohol purchases

Fiscal Year	Total Franchise[1] Purchases	Total Commercial Permittee Purchases
2009-10	$50.2M	$215.4M
2008-09	$45.0M	$210.7M
2007-08	$41.4M	$200.7M
2006-07	$37.1M	$186.8M
2005-06	$35.2M	$175.2M

[1] Includes Specialty Wine Store Franchise Purchases
Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure reflects the beverage alcohol purchases made by SLGA's partners in the private sector, illustrating the extent to which the Saskatchewan beverage alcohol market is served by a combined public/private distribution model. The rural franchises and commercial permittees in turn generate additional revenue and economic activity through the resale of beverage alcohol in support of other core business areas such as accommodation, food services, retail sales, et cetera. Specialty Wine Store Franchises (SWSFs) were introduced in 2009-10, serving the Regina and Saskatoon specialty markets.

The total gross franchise and commercial permittee beverage alcohol purchases measure is linked to the overarching Government goal of economic growth. SLGA views franchisees and commercial permittees as partners in the beverage alcohol market and as such SLGA provides policy, operational, and financial support where and when possible to ensure sustainability or positive growth occurs.

Purchases of beverage alcohol by both franchisees and commercial permittees have increased in each of the past five years. This increase has been driven by a combination of industry price increases, trading up by the consumer to higher priced products, and an increase in the volume purchased and ultimately sold by SLGA's partners. Purchases by the SWSFs are anticipated to grow over time as they continue to meet consumer demand, building on this niche market.

Measure	Baseline / Trend Line Information

Marginal return on expenses (MRE)

Fiscal Year	Marginal Return on Expenses
2009-10	(0.11)
2008-09	+2.23
2007-08	+0.49[1]
2006-07	+1.61
2005-06	(0.94)

[1] Restated in 2008-09 SLGA Annual Report
Source: Saskatchewan Liquor and Gaming Authority

Measure Description

This measure expresses an overall return on investment as an outcome. It expresses a ratio between the change in net income compared to the change in total operating expenses and reflects the principle that while operating expenses can increase, this growth often leads to an increase in net income. Any outcome greater than zero is a positive outcome.

The MRE measure is linked to SLGA's strategy to ensure continuous improvement in internal operational efficiency and productivity. A positive and increasing MRE is a good indication that SLGA is managing expenses in a fiscally responsible manner that is generating growth in net income.

SLGA has some influence over aspects of this measure, especially regarding operating expenses and policy development aimed at growing net income over time. In 2009-10, the MRE was negative as a result of declining VLT activity. Similarly, in 2005-06, the MRE was negative following a decline in VLT revenue that coincided with the province-wide smoking ban. In all other years, the measure has been positive; indicating that increased expenses and business investment has translated into increased net income.

Financial Summary

SLGA's 2011-12 financial plan supports the organization's key strategies that are designed to assist Government in achieving its goals and directions. The main financial outcome for SLGA is its net income which consists primarily of the following components: provincial VLT revenues; SIGA net income; and, profits from the retail liquor sector.

SLGA's net income is essential to supporting broader provincial objectives. In 2009-10, SLGA experienced a successful financial year generating $433.1 million in net income. For 2011-12, SLGA is budgeting for a net income of $422.0 million. VLT net income is budgeted at $167.0 million and SIGA net income is forecast at $63.8 million. Operational efficiencies and continued market growth combined with revisions to SLGA's beer discount pricing structure are expected to net SLGA $233.8 million from the retail liquor sector.

Overall, SLGA's capacity to continue to generate additional revenues is impacted by a variety of economic forces and public policy choices. Maintaining a balance between revenue generation and social responsibility is key to SLGA's success in supporting Government in achieving its goals.

For More Information

Please visit SLGA's website at **www.slga.gov.sk.ca** for more information on its key business areas or contact (306) 787-4213 or Toll Free 1-800-667-7565.